

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 58th LEGISLATURE - REGULAR SESSION

COMMITTEE ON APPROPRIATIONS

Call to Order: By **CHAIRMAN DAVE LEWIS**, on March 11, 2003 at 8:10 A.M., in Room 102 Capitol.

ROLL CALL

Members Present:

Rep. Dave Lewis, Chairman (R)
Rep. Rosalie (Rosie) Buzzas, Vice Chairman (D)
Rep. Edith Clark, Vice Chairman (R)
Rep. John Brueggeman (R)
Rep. Tim Callahan (D)
Rep. Stanley (Stan) Fisher (R)
Rep. Eve Franklin (D)
Rep. Dick Haines (R)
Rep. Donald L. Hedges (R)
Rep. Joey Jayne (D)
Rep. Carol C. Juneau (D)
Rep. Dave Kasten (R)
Rep. Christine Kaufmann (D)
Rep. Monica Lindeen (D)
Rep. John Musgrove (D)
Rep. Jeff Pattison (R)
Rep. Rick Ripley (R)
Rep. John Sinrud (R)
Rep. John Witt (R)

Members Excused: None.

Members Absent: None.

Staff Present: Jon Moe, Legislative Branch
Mary Lou Schmitz, Committee Secretary

Please Note. These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing & Date Posted: HB 2, 2/25/2003
Executive Action: None

HEARING ON HB 2 - DAY 3

Sponsor: REP. DAVE LEWIS, HD 55, Helena

Section B**Health and Human Services**

REP. EDITH CLARK, Chairperson, Health and Human Services Subcommittee, thanked the other committee members: **REP. JAYNE, REP. HAINES, SEN. COBB, SEN. STONINGTON and SENATE PRESIDENT KEENAN** and the staff: Lois Steinbeck, Pat Gervais; secretary, Sydney Tabor, and Bob Andersen, Budget Analyst.

REP. CLARK referred the committee to the Narrative Highlights, Exhibit 1, 3-07-03, Page B-1 where there are various FY 2005 biennium appropriation comparisons. Compared to the FY 2000 base budget, the agency is \$16 million General Fund higher and that is due to the return from the \$106 million. Compared to FY 2002 base budget, they are \$18 million General Fund lower, \$410 million total fund higher, \$93 million state special revenue higher, \$335 million federal funds higher. Compared to the Executive Budget; \$28.6 million General Fund lower, \$70 million total funds higher, \$61 million state special revenue higher, and \$37 million federal funds higher.

REP. CLARK referred to Pages B-2 and B-3 of the Narrative and explained the significant figures of the Summary and overview.

Gail Gray, Director, Department of Health and Human Services, thanked the subcommittee for putting together this very reasonable budget. The Department supports the Governor's budget which in terms of General Funds, is \$28 million higher. Her primary concern is the reliance on the Prevention and Stabilization Special Revenue Account which, at this point, doesn't have a lot of money.

REP. KAUFMANN asked for clarification of the \$28 million and the Prevention and Stabilization Fund. **CHAIRMAN LEWIS** said the \$28 million is under the Governor's budget. The Stabilization Fund handles all those issues on and beyond the Governor's budget.

Lois Steinbeck, Legislative Fiscal Division, said Page B-6 of the Narrative shows the legislative action compared to the Executive Budget. The final two columns on the right show the biennial legislative executive difference. The legislature is 57 FTE over the executive and that primarily comes from funding the state hospital at a higher population. Overall, despite that, the

legislature is \$70 million above the executive over the biennium. That is \$28 million General Fund less. There are \$61 million in state special revenue. Some of that is used to match federal Medicaid funds, primarily in provider rate increases and also in the General Fund offset to the Medicaid caseload growth. Overall the legislative budget is \$70 million total funds greater than the executive, \$28 million General Fund less, primarily in fund switches where the Prevention and Stabilization Fund offsets General Fund.

REPS. KAUFMANN, JUNEAU, BUZZAS, CALLAHAN, and FRANKLIN asked for more explanation and clarification. **REP. CLARK and Ms. Steinbeck** explained.

In response to a question from **REP. RIPLEY, Ms. Steinbeck** explained issues relating to the tobacco tax.

{Tape: 1; Side: A; Approx. Time Counter: 0 - 29.6}

REP. KASTEN said, "Last session the legislature increased the budget in Public Health and Human Services, \$461 million. These were programs that were put in place and now with the reduction in revenue, it is a problem, so he commended the subcommittee."

REP. FRANKLIN asked Ms. Gray to speak to the above comments. **Ms. Gray** said the first thing was the Food Stamp program and over \$100 million were put into last year's increase. That is one-fourth of the \$461 million.

The Medicaid program is over \$5 million a year.

There are about 3,000 state employees who got a substantial pay increase and 72% of them are outside the community of Helena. Many of them work in six of the state institutions.

REPS. LINDEEN and BUZZAS referred questions and comments to **REP. CLARK and Ms. Gray**.

REP. KASTEN said the \$461,091,988 (referred to above) is for all funds and that was a 28.76% increase and the General Fund was \$80,337,971, an increase of 17.41%.

REPS. FRANKLIN and KAUFMANN referred to the tobacco prevention issue and asked **Joe Mazurek, Protect Montana Kids Organization**, for comments. He said, "When Montana settled its lawsuit with the tobacco companies, it stood to receive \$920 million over 25 years. The first payment started in 1999 and averages between \$28 and \$34 million a year and goes in the state General Fund."

Initiative 146 was voted on and it passed by a 65% majority. What the Initiative did was establish a State Special Revenue Account into which 32% of the settlement proceeds flow into a prevention program which is the minimum level recommended by the Center of Disease Control (CDC), approximately \$9.3 million to \$9.6 million a year. It also designated 17% to be divided between CHIP (Children's Health Insurance Program) and the Montana Comprehensive Health Association (MCHA).

The objective of the Coalition has been to establish some long-term prevention program. It has to be a program that is effective and has the potential to build on an ongoing basis."

In response to a question from **REP. SINRUD, Mr. Mazurek** said the Initiative does not appropriate money. The Tobacco Trust is an example, as well as the Coal Tax Trust, where a Special Revenue Account is set up into which the money for the Tobacco Settlement flows. The language of the Initiative describes the creation of a Special Revenue Account and describes the purposes for which the money can be spent. It does not appropriate the money. The legislature has to appropriate the money. That is exactly what the subcommittee proposes to do.

REPS. FRANKLIN and **BUZZAS** asked for further clarification and then offered comments.

{Tape: 1; Side: B; Approx. Time Counter: 0 - 29.6}

Mr. Mazurek reviewed the Tobacco Settlement and how the money will be spent for a comprehensive tobacco prevention program. The Coalition's long-term objective is to have a prevention program that at least meets the minimum CDC level which is where it started.

REP. FISHER asked Mr. Mazurek if he thought the money should all be given to tobacco prevention with the limited amount of funds for other programs. **Mr. Mazurek** said he acknowledged the committee has significant financial issues and tremendous needs. "Where would the state be if it didn't have this tobacco money because there would still be the same sorts of issues. As advocates for addressing the Number 1 health-related problem, prevention works."

REPS. FISHER, JAYNE, JUNEAU, KASTEN, and **WITT** commented and then referred questions to Mr. Mazurek and **REP. CLARK**. **Mr. Mazurek** said the one thing his organization would like to do is to make peace with the legislature on this issue so that the voters' wishes have been followed, for the most part, and they have a long-term objective and would like to be in a position where they

would not make it a political debate in the coming elections. **CHAIRMAN LEWIS** said a lot of the legislators thought, when they got the settlement, that they would be able to use it for Human Services and for Medicaid. He would like to see the "hatchet buried" too.

Human and Community Services Division

REP. CLARK referred the committee to Page B-13. The Human and Community Services Division (HCSD) is funded by a combination of General Fund, state special revenue, and federal funds. General Fund provides 11.5% of the division funding and supports:

Maintenance of Effort (MOE) for the Temporary Assistance for Needy Families (TANF) and Childcare Development Fund (CCDF) block grants.

Matching funds for federal program functions including food stamp and Medicaid eligibility determination.

REP. CLARK handed out Exhibit 1, Acronyms for the Department of Public Health and Human Services to help the committee.

EXHIBIT (aph51a01)

Pages B-18 and B-19 were referenced by the **REP. CLARK** for helpful information to the Committee.

CHAIRMAN LEWIS referred to Page B-14 and quoted, "When TANF benefit expenditure projections exceed a sustainable level for the 12-month period, benefits may be reduced to a level that would maintain solvency." **CHAIRMAN LEWIS** asked, "Is this the monthly benefit for a TANF family and would it reduce the benefit for everyone rather than reducing the number of eligible clients?" **Pat Gervais, Legislative Fiscal Division**, said this language would allow the department to reduce the monthly cash payments to families. **Gail Gray, Director, DPHHS**, said the department supports the funding of this subcommittee and strongly supports the language.

CHAIRMAN LEWIS asked if there is some of the Stabilization Fund in this division. **REP. CLARK** said the Child Care and Domestic Violence Prevention are funded by the Prevention and Stabilization Fund as referenced on Page B-1 of the Bill.

REP. FISHER asked Mr. Hudson why the TANF funds have increased 40% in the last two years and projected to go to 50% in the next year. **Hank Hudson, Administrator, Human and Community Services Division**, said, "The TANF funds are stable in that they receive a block grant every year of \$44 million. There were several years

they didn't spend all the money and under the TANF law they cannot just hold it and use it in later years. So the expenditures have changed. This year they will spend the leftover money by July. They had years when the caseload went down and they didn't spend all the block grants."

{Tape: 2; Side: A; Approx. Time Counter: 0 - 29.7}

Mr. Hudson said whenever there is a weakening of the economy, it might not be reflected in the unemployment rates but it is reflected in restaurants not hiring additional help, construction slowing down, or tourism slowing down. As those jobs disappear, more people come back on the TANF program.

REPS. BUZZAS, FISHER, KASTEN, and JUNEAU referred questions to **Mr. Hudson** concerning the TANF program. **Mr. Hudson** said a family of three, a mother and two children, receives \$507 a month. Many of these people receive food stamps although a food stamp allotment does not provide a whole month's supply of food. Rent and transportation issues carry the largest cost. There are no programs provided for the non-food items. **REP. JUNEAU** said probably about 40% of the TANF caseload in Montana are American Indians, on and off the reservations.

REP. CALLAHAN asked if some of the funding for daycare is tied into the Prevention and Stabilization Account. **REP. CLARK** said, "Yes, 30%." **Ms. Gervais** said the subcommittee chose to fund Childcare above the Executive Budget. There were some General Fund reductions in the Executive Budget that were filled with the Prevention and Stabilization Fund as well as replacement of federal funds that will not be available in the next biennium, of \$15.2 million. If those funding reductions are realized, the Childcare subsidy program will be reduced about 30%. The subsidy program supports a variety of childcare settings. That could be a group home setting, a childcare center, or different childcare settings.

In response to a question from **REP. WITT**, **Mr. Hudson** said prior to welfare reform there were, at one point, 14,000 families and when welfare reform was implemented, 12,000 more applicants. Despite the increase from 4,000 to 6,000 they are still carrying less than half of the traditional AFTC caseloads. Initiating time limits, work requirements, sanctions for non-participation, had some effect. On the positive side; offering people childcare, help with fixing cars, and some of the things they did in FAIM Phase IIR also worked to move people off of welfare. Their strategy has been that work should be a more attractive option than welfare. The Departments of Labor and Transportation have helped them along this route too.

REP. BUZZAS asked about the time limit for TANF participation.

Mr. Hudson said the time is 60 months, lifetime.

REP. BUZZAS asked Mary Caferro, lobbyist, for information concerning the transition from welfare to work. **Ms. Caferro** said welfare rolls are going up and it is directly tied to not being able to access childcare. If childcare is funded, then people will work and that will help the economy. Most people don't want to be on assistance because it is such a complicated system.

REP. FRANKLIN asked, "What resources are there for education?"

Director Gray said there are a number of things. There are some substantial options for people on TANF. People that are on assistance right now have the opportunity to utilize some of their education as work. The department is concerned because, at the federal level, when TANF is de-authorized, that may not continue. **Ms. Gervais** said the department has a great deal of their Maintenance of Effort funding which is General Fund and they can spend on education and training programs. Currently, within federal law, and because Montana has a waiver, they have a great deal of flexibility defining work activities and those may include educational activities. They will lose that waiver in December, 2003 and at the federal level, the proposal made by President Bush contains much more stringent requirements and many of the activities that Montana has been counting as work activities, may no longer meet federal criteria, if welfare authorization as President Bush has proposed, is passed by Congress. That issue will probably be debated later this spring and summer at the federal level.

{Tape: 2; Side: B; Approx. Time Counter: 0 - 29.7}

In answer to a question from **REP. JAYNE**, **Ms. Caferro** said the majority of the caseloads are single mothers with children. People who do receive the child support often don't access welfare and people who don't receive a regular payment for child support, cash assistance does give the family stability. Many people who are on cash assistance don't receive their child support and it is a big issue.

A fifteen minute break was taken at this time.

Child and Family Services Division

REP. CLARK referred the committee to Page B-20 of the Narrative. The funding for this division is General Fund, 40%; state special revenue, 4.5%; and federal funds, 55.5%. The General Fund provides matching funds for federal programs. The most

significant source of state special revenue is third-party contributions such as Social Security, child support, parental contributions and other sources of revenue that are collected and used to offset the cost of foster care services for the particular child who is the recipient of the funds.

Subsidized adoption caseload increases are about 10% per year. Foster care caseloads remain constant and funding is adjusted to reflect the loss of TANF funds and replacement of a portion of these funds with General Fund.

CHAIRMAN LEWIS referred to the graph on Page-20, "Number of Foster Care Clients (duplicated). What does that mean?" **Ms. Gervais** said a child in foster care may receive more than one service so they may have been counted as receiving a group home service as well as some other service so they could be counted twice. The chart is based on consistent data. The department indicates they have between 2,000 and 2200 children in foster care in any one month.

Ms. Gray said the department also thinks this is a fair budget.

REP. FRANKLIN asked if there had been any change, such as increase or decrease, in payments to families who take in foster children. **Ms. Gervais** said in the last biennium there was a 1% rate increase the first year of the biennium for family foster care providers. Most recently the subcommittee heard an issue concerning rates for therapeutic foster care and therapeutic group home providers that are participants in the mental health system. The most recent issue has been with regard to mental health services. **Ms. Steinbeck** said the issue with regard to mental health rates is there were reductions in the therapeutic treatment portion funded through the Mental Disorders. There, rate reductions were imposed in order for that division to live within its budget before the legislature convened and also while the legislature is here. The subcommittee heard a great deal of testimony from therapeutic foster parents in the Addictive and Mental Disorders Division due to those rate reductions.

Ms. Gervais said the regular family foster care providers got a 1% rate increase the first year of this biennium. There is not an additional provider rate increase for this year nor is there any provider rate increase included in the project at this time.

Ms. Gray said it is \$15 and \$18 a day.

CHAIRMAN LEWIS said he is impressed because the kids in foster care seem to be at a fairly good level and there are a lot more referrals to social workers, so there is a lot of effort being

made on the part of social workers to put kids in foster care as a very last resort. **Shirley Brown, Bureau Chief**, said two years ago they had contracts for in-home service providers. Those providers provided for primary prevention services which were services they provided to families who never came in contact with the department or social workers and then prevention services to prevent placement. About two years ago they changed the purpose of those contracts so now they are not contracting for the primary prevention services where the family never came in contact with them but rather all of those services are being funneled to more families who have been referred to the social worker. They have increased the number of services they can provide to children to let them stay in their homes.

In response to concerns of **REPS. CALLAHAN** and **BUZZAS, Chuck Hunter, Department of Public Health**, said the re-financing efforts in this division are following two dimensions:

1) is to increase the percentage of families that are Title IV-E eligible and kids that are Title IV-E eligible.

2) is to pursue and initiate Targeted Case Management to allow some source of funding from the Medicaid system. They are about six months into that project at this time.

Both of those initiatives look promising.

Pages B-22 and B-28 of the Narrative for reference.

In response to a question from **REP. JAYNE, Beth Satre, Montana Coalition Against Domestic and Sexual Violence** said, "Currently, under the Executive Budget, state General Fund would be reduced by about half of the amount of money that goes into the Domestic Violence base program. That program actually provides the bulk amount of money that goes to twenty-three direct service programs across the state and those service programs served about 8,063 victims of domestic violence in the past year."

EXHIBIT (aph51a02)

In answer to a question from **REPS. WITT, BUZZAS, and RIPLEY, Dave Thorsen, Child and Family Services Division**, said the Billings office annual rent increased from about \$63,000 to about \$254,000. The square footage doubled from the old facility. Office space is typically coordinated by the Department of Administration and they try to relocate various state agencies and divisions all at the same time. More specific information can be gathered.

{Tape: 3; Side: A; Approx. Time Counter: 0 - 29.7}

In response to a concern of **REP. FRANKLIN** that there are kids out there who are hurting, **Ms. Brown** said they are understaffed and as they have continued to do their work, have had additional responsibilities put on them. What they do tends to be conflicting, very sensitive and very controversial; so a lot of legislators will get calls from constituents, that the social worker either did not respond or that the social worker did too much. Their focus is on the children, not the adults.

In response to a question from **REP. MUSGROVE, Lori Evans, Director, Childcare and Resource Referral Program, Havre**, said the rural counties, which she represents, are struggling economically. Under the current budget reduction plan, the projected loss to businesses that care for children who receive state subsidies, will be approximately \$8.1 million. As a result, 690 childcare businesses will be downsized or forced out of business. It is an essential service in the communities.

REP. RIPLEY asked **Ms. Brown** what it would take to bring her department up to an appropriate level. **Ms. Brown** said an independent study was done and based upon the policies they had then (in 1999), they said at least 40 more social workers are needed to do what policy and law requires them to do.

REP. KASTEN asked how many employees are in this business. **Ms. Gray** said she would make those figures available.

{Tape: 3; Side: B; Approx. Time Counter: 0 - 29.6}

REPS. LINDEEN, KASTEN, and FRANKLIN, questioned **Ms. Brown** about vacancy savings who explained to their satisfaction.

In answer to a question from **REP. JUNEAU, Ms. Gervais** said the Childcare Block Grant allows them to use General Funds spent on protective services childcare as well as a number of other childcare areas as match to draw down the federal match funding stream. So the department has, in their quest to draw down the maximum federal funds available and used this money to draw down federal childcare matching funds. It is just a portion of the matching funds.

REPS. WITT and JUNEAU asked for further clarification regarding Food Stamps. **Ms. Gray** explained.

Director's Office

REP. CLARK referred the committee to Page B-24 of the Narrative. The Director's Office is funded through a combination of General Fund (8%), state special revenue (36%) and federal funds (56%). Some functions are supported directly by state special revenue and federal grants. Otherwise, the functions in the Director's Office are allocated among funding sources depending on cost allocation plans that are federally reviewed and approved. General Fund matches some costs subject to the federally approved cost allocation plans and makes up some of the differences between what federal sources will fund and the balance of program costs.

Several functions were moved from the Director's Office to restructure appropriations in HB 2, sanctioned by this committee the first day it met. Tobacco Control and Prevention will move to Health Policy and Services Division. Montana Telecommunications Access Program will move to Disability Services Division. Abstinence Education Program will move to Human and Community Services Division.

Ms. Gray said again, they feel like this is an appropriate budget.

REPS. BUZZAS and **KAUFMANN** asked for additional information from Director Gray.

Child Support Enforcement

REP. CLARK referred the committee to Page B-28. The funding for this division is funded by the General Fund, (2.7%), state special revenue (30.8), and federal funds (66.5%). The primary sources of state special revenue are retention of the state's share of collections for clients who receive or have received cash assistance from the state, and performance based incentives awarded by the federal government. However, revenue from these two sources is not projected to be adequate during the 2005 biennium to sustain the operations of the division. The legislature did not support increasing the state special revenue available to the division by authorizing the division to charge a fee for the collection of child support. In order to maintain the Child Support Enforcement Division (CSED) operations and funding at the current level, the legislature approved:

\$109,000 General Fund for the biennium by moving funding from the Quality Assurance Division to CSED and

\$1.5 million of state special revenue for the biennium from the DPHHS Prevention and Stabilization Account.

Ms. Gray again praised the subcommittee for this budget.

Fiscal Services Division

REP. CLARK referred the committee to Page B-30 of the Narrative. The only adjustments are the state-wide present law adjustments. It is funded 47% from the General Fund, 5% from state special revenue, and 48% from federal funds. The funding is determined through a complex federally approved cost allocation that charges all programs administered by the department with a portion of the division's cost.

The committee took a break and will reconvene on adjournment of the House.

{Tape: 4; Side: A; Approx. Time Counter: 0 - 29.1}

Health Policy and Services Division

REP. CLARK referred the committee to Page B-31 of the Narrative. The 2005 biennium General Fund is about \$8 million more compared to FY 2002 base expenditures. This is primarily due to funding switches. The General Fund reductions are partially offset by approval of Medicaid caseload increases, about \$19 million General Fund. Federal Grant increases are over \$26 million and this includes funding for 30 FTE.

Pages B-31 through B-54 for referencing.

Ms. Gray said there is a lot of money in that particular account, such as Medicaid. This division does a very good job of trying to live within their budget. The division will be divided into two beginning July 1, 2003; Public Health and Safety Division and the other relates to Child and Adult Health Resources.

REP. BUZZAS asked if this is a new division. **Ms. Gray** said they are taking an existing division and dividing it in half. There are no additional administrative costs, but they will have one additional division. They think it will provide better services for children.

REP. SINRUD asked Director Gray to define the Obesity Prevention Program, Page B-33. **Ms. Gray** said this is a federal program that helps them look at obesity as a health problem. It looks at eating habits of people, provides public information, looks at services in the schools, tries to prevent obesity and if not, then to reduce. These are all federal funds. It can reduce the cost of health care. **Ms. Gray** said they wrote a plan for this and it meets Montana's needs.

REPS. KASTEN, RIPLEY, and JUNEAU had questions for **Ms. Gray**, who answered, "The MIAMI project (Montana Initiative for the Abatement of Infant Mortality) is a home-visited program and there is another program that looks at the reasons for infant mortality and yes, the MIAMI program is in this budget." **Maggie Bullock, Administrator, Health Policy and Services Division**, said it is a group of professionals and consumers that look at death records in the counties to see what the reasons are for the deaths of various age groups to develop a trend and report to the state. There is a higher rate of infant mortality on the reservations and sometimes they have difficulty getting some of the records so they have been working with the Tribes to try to get more involvement.

In response to a question from **REP. FRANKLIN, Dan Anderson, Addictive and Mental Disorders Division**, said the mental health system no longer uses CHIP funding (Children's Health Insurance Program) for the children's mental health program. That was one of the changes made during this biennium. The Non-Medicaid Children's Program has been reduced to \$670,000 in General Fund which is TANF Maintenance of Effort Fund.

{Tape: 4; Side: B; Approx. Time Counter: 0 - 28.9}

In answer to a question from **REP. KAUFMANN, Ms. Gray** said they had a reduction in Optional Medicaid Services for \$250,000 per year. There was a reduction for funding the Poison Control System that was almost \$39,000 per year. Funding prescriptions for AIDS treatment, was about \$42,000. The MIAMI program is \$581,000 per year and the Farmer's Market, (Farmer's Market Nutrition Program) WIC (Women, Infant and Children) was \$12,800 per year. Restoring the Non-Hospital Medicaid was \$806,000 the first year and almost \$900,000 the second year. The largest reduction is in the area of the Medicaid match and that is \$4.2 million the first year and \$6.7 million the next year. **REP. KAUFMANN** commented that it would be pretty serious for all these services if there is no money in the Prevention and Stabilization Fund.

REP. SINRUD said, "Through the federal funds, they also continue to add employees. What happens when the federal funds are gone?" **Ms. Gray** said when those federal funds dry up they eliminate the positions. Sometimes there are other positions that are open. Right now there are 288 positions that are vacant in the department.

REP. WITT referred to Page B-36 of the Narrative, Libby Asbestos Screening, and asked Ms. Gray for an explanation. **Ms. Gray** said there is no duplication. The summer programs are ending and, as

a state health agency, they were called upon to continue those programs. This is not a program they expect to have anywhere else in the state of Montana. This program was established, not only by the state, but by the federal government.

CHAIRMAN LEWIS reminded the committee, when they started, they had over half a billion of increased federal money in this budget over the last biennium. Most of it is in Health and Human Services.

REPS. BUZZAS, SINRUD, RIPLEY asked for clarification and further explanations from Ms. Steinbeck and Ms. Gray. Page B-55 of the Narrative for reference.

Quality Assurance Division

REP. CLARK said this program is funded primarily from federal funds (67% of the 2005 biennium appropriation). Medicaid funding is the single largest source of federal funds and accounts for 21% of the annual program budget request, while Medicare funding supports 14% of the budget request. General Fund accounts for 28% of the program funding in the base budget and rises to 29% each year of the 2005 biennium appropriation. State special revenue is 3.5%.

Some federal sources support more than one function. Medicaid funds support third party insurance and private pay recovery; the surveillance, utilization and review unit; the nurse aide registry for nursing homes; and the Department of Justice fraud investigation contract. Medicaid and Medicare funds support certification of services such as nursing home and personal care services.

The subcommittee reduced General Fund about \$51,000 per year by funding the 2005 biennium expenditures in the same funding ratio as the FY 2002 base funding.

Director Gray said she feels this budget is complete and this is a division that has done well.

REP. JAYNE referred the committee to Page B-56 of the Narrative and explained DP 76, TPL (Third Party Liability) Lien and Estate Recovery function.

Operations and Technology Division

REP. CLARK said the funding for a computer contract and mainframe processing costs was decreased. This is a continuation of reductions ordered by the Governor in accordance with section 17-7-140, MCA.

REP. BUZZAS asked if every state agency has this service capacity. **CHAIRMAN LEWIS** said this department has several huge systems that they have developed, to their credit. They have some fairly extensive contracts with Systems Development and also some other providers. This is a \$50 million division and they have done a great job.

In response to a question from **REP. LINDEEN**, **Ms. Gervais** said ITSD (Information Technology Services Division) was aware of the changes that potentially impact mainframe usage and warrant writing.

Disability Services Division

REP. CLARK referred the committee to Page B-59 of the Narrative for reference.

Director Gray said this is a division that has worked very hard. Page B-63 lists programs provided with Prevention and Stabilization funds.

{Tape: 5; Side: A; Approx. Time Counter: 0 - 29.3}

In response to a question from **REP. BUZZAS** concerning funding in the Prevention and Stabilization Account, **Joe Mathews, Administrator, Disability Services Division**, said they have the Visual Services Medical Program, the extended employment which is in the Vocational Rehabilitation program, the independent living program which is also part of the Vocational Rehabilitation program and then there is a donated dental program that is \$25,000 a year of General Fund. It was actually assigned to the Developmental Disabilities Planning and Advisory Council. All of those are in the PSA (Prevention and Stabilization Account) fund. In addition there are some Medicaid provider increases that are in that fund.

In answer to a question from **REP. SINRUD**, **Mr. Mathews** said there are about fifty not-for-profit corporations around the state that actually provide direct services to people with developmental disabilities, such as group homes, day programs etc.

Ms. Gervais said there are a number of refinancing efforts in this division. There are services that have been funded with General Fund that can be funded with Medicaid. In some cases,

the department has implemented the refinancing during this fiscal year. In other cases they will be looking at additional Medicaid waivers. In most cases, regarding supported living and community support services, some children's services and congregate living services, those General Fund reductions don't result in any service reductions because the service will now be financed with federal Medicaid funds rather than 100% General Fund.

June Hermanson, Billings, said sometimes terminology gets confused when it comes to disability services and disability issues. Within the DD Division there are supported living programs for individuals with developmental disabilities. The independent living parity that will be funded through the Prevention and Stabilization Account, are for independent living under the Rehabilitation Act and works with individuals in the communities in their homes.

REPS. MUSGROVE, KASTEN, FRANKLIN, BUZZAS, and **JAYNE** asked for further explanation and clarification from **Mr. Mathews**.

Shirley Brown provided the committee with Exhibit 3 as requested and reviewed it.

EXHIBIT(aph51a03)

{Tape: 5; Side: B; Approx. Time Counter: 0 - 29.1}

Senior and Long-term Care

REP. CLARK referred the committee to Page B-65 of the Narrative. The 2005 biennium General Fund appropriation is about \$9 million less than the 2002 base expenditures. It is primarily due to the \$7.5 million Prevention and Stabilization fund to offset \$1 million General Fund Medicaid match each year with the inter-governmental transfer revenue.

Pages B-65 through B-81 of the Narrative for reference.

Director Gray had no additional comments.

REPS. BUZZAS, KAUFMANN, JUNEAU, SINRUD, and **RIPLEY** referred questions to **Kelly Williams, Administrator, Senior and Long-Term Care Division**, concerning the Stabilization Fund and service providers in the Personal Assistance Program. "What is the impact?" **Ms. Williams** said it could have an impact on the service providers, meals and the Medicaid Hospice program. Page B-3, line items of the Bill; Pages B-68, B-71, B-75 and B-77 of the Narrative for reference.

CHAIRMAN LEWIS referred to Page-71, DP106 of the Narrative and said the Department didn't accrue the true cost of this program at the end of the year and so it wasn't in the base budget. "Is this a back door supplemental?" **Lois Steinbeck, Legislative Fiscal Division**, said, "No, the Department had adequate funds to pay the costs and it will have adequate funds to pay the costs in future years but the accrual was misstated."

Addictive and Mental Disorders

REP. CLARK referred the committee to Page B-82 of the Narrative. This is one of the divisions that shows a General Fund increase above the 2002 base budget expenditures and its largely due to the transfer of \$2 million state special revenue from the nursing home, intergovernmental transfer from AMDD (Addictive and Mental Disorders Division) to Senior and Long-Term Care and then if the legislature refuses to accept it, an executive proposal to use \$1 million of alcohol tax annually allocated to local Chemical Dependency programs to offset General Fund, Medicaid Mental Health match.

The subcommittee accepted revisions to the Adult-Children's Mental Health Services. The Children's Mental Health Service was reorganized and approved funding for two new FTE with the Department's pledge to keep those positions filled so that the transferal of the Children's Mental Health Services would go smoothly and initiated a 1% rate increase with children's therapeutic group homes.

CHAIRMAN LEWIS said, "The base budget was \$126 million a year and then it went up to \$165 million a year for FY 2005 so \$40 million was added a year for this program. What was the major increase?"

REP. CLARK answered, "Medicaid caseload and some increase in the state hospital." **Ms. Steinbeck** said, "Another part of this, where there is a large federal fund increase, is moving the 35 persons out of the nursing care center when they are not Medicaid eligible, into the community. Their cost of care is matched by federal funds and the General Fund component of that cost is what they are spending in the nursing care center that require additional support services."

CHAIRMAN LEWIS asked, "How many people do we serve in the Addictive and Mental Disorders?" **Dan Anderson, Administrator, Addictive and Mental Disorders**, said that in 2002 they served approximately 30,000. That includes the Medicaid program for mental health.

{Tape: 6; Side: A; Approx. Time Counter: 0 - 29.1}

Director Gray approved the subcommittee's work.

REP. BUZZAS asked what accounts for the increase in beds in the state hospital. **Mr. Anderson** said they haven't increased the number of beds. What they have done, through the subcommittee process, is increase the projected number of the beds from 135 to 175, which is actually what it has been for the current biennium.

In response to a question from **REP. FRANKLIN** regarding behavioral health facilities, **Mr. Anderson** said the staff has started to put together the elements that will go into that area. There is SB 348 which authorizes the Department to contract and set standards for the facilities. They need to be very clear and know what to expect from these facilities.

Mr. Anderson said they are in a planning process to develop service area authorities which would eventually be entities that would manage mental health services within a geographic area. They see that process developing over the coming biennium.

REP. RIPLEY referred to DB 143, Medicaid Program Changes, Page B-87 for clarification. **Ms. Steinbeck** said growth in mental health has been increasing rapidly. The growth seen in the Medicaid Chemical Dependency Services is due to a start-up of expanding those services from, primarily, funding from Medicaid to an outpatient basis.

CHAIRMAN LEWIS said, "The total budget, all funds for the 2004-2005 biennium is \$2.265 billion, Page B-1. What is the comparable for the current biennium?" **Ms. Steinbeck** said, "Without the pay plan, it is \$2.054 billion."

REP. CLARK said she would like to make a conceptual amendment on PAGE B-5, Line 10 of the bill; after from; insert Coal Trust Revenue. After discussion, she did not move the amendment.

Discussion:

REP. KAUFMANN asked Judy Smith, WORD/Fair Share Network for her views. **Ms. Smith** read testimony from Exhibit 4.

EXHIBIT (aph51a04)

{Tape: 6; Side: B; Approx. Time Counter: 0 - 29.2}

Conceptual Motion/Vote: **REP. CLARK** moved that HB 2 BE AMENDED, PAGE B-4, LINE 18, Item d, RATE INCREASE FOR OUT-OF-HOME GROUP CARE. Motion carried unanimously 19-0 on a voice vote.

Motion/Vote: REP. CLARK moved that HB 2 BE AMENDED (EXHIBIT 5).
Motion carried unanimously 19-0 on a voice vote.

EXHIBIT(aph51a05)

Motion/Vote: REP. CLARK moved that HB 2 BE AMENDED (EXHIBIT 6).
Motion carried unanimously 19-0 on a voice vote.

EXHIBIT(aph51a06).

Motion/Vote: REP. CLARK moved that HB 2 BE AMENDED (EXHIBIT 7).
Motion carried unanimously 19-0 on a voice vote.

EXHIBIT(aph51a07)

Motion/Vote: REP. CLARK moved that SECTION B OF HB 2 BE CLOSED.
Motion carried unanimously 19-0 on a voice vote.

EXHIBIT 8 given to secretary after the closing of Section B.

EXHIBIT(aph51a08)

Section C

Natural Resources and Commerce

REP. JEFF PATTISON, Chairman, Natural Resources and Commerce Subcommittee thanked his staff, Gary Hamel and Todd Younkin, Legislative Fiscal Division and SENATORS TASH, NELSON, and SHEA and REPS. MUSGROVE AND RIPLEY.

Dept. of Fish, Wildlife and Parks

REP. PATTISON said the subcommittee worked hard to make any reductions they could in targets specifically to the General License account to preserve the price of licenses for sportsmen.

They put \$200,000 increase to address chronic wasting disease in wild game populations in Montana.

State special revenue is lower by 2.3% in FY 2004 and 1.5% in FY 2005 for a total of \$1.5 million over the biennium. In addition, they found 9.0 vacant FTE that were vacant for seven months or longer that were funded by the general license account. The impact on the ongoing operations will be minimal and of the state special revenue reductions, nearly all were taken from the general license account.

Federal special revenue is lower by 5.4% in FY 2004 and 7.9% in FY 2005 for a total of \$2.3 million over the biennium. The major difference arose out of their decision not to utilize legislative contract authority. With that decision \$7.4 million of one-time

federal authority was removed from the agency budget and \$5 million of permanent federal authority is added back to the budget. This authority will be used for ongoing personal services and operations for 41.5 permanent FTE to carry out federal contract work.

Pages C-4 and C-5 of the Narrative for reference.

Jeff Hagener, Director, Fish, Wildlife and Parks said this was a good overview of the issues by **REP. PATTISON** and he would be available for questions.

In response to questions from **REPS. MUSGROVE, KAUFMANN, HEDGES,** and **BUZZAS, Gary Hamel, Legislative Fiscal Division,** said, "In reference to the block management funding, there were two FTE in a decision package that the subcommittee decided they did not want to add permanent FTE to the Department's budget, however, the subcommittee did give permission to the Budget Office to go ahead and include modified FTE for those positions. They left the funding the same. The decision package was \$733,000 per year effective in DP 201, Page C-13, and the subcommittee removed two permanent FTE from that but left the option open for the Department to use modified FTE so the actual personnel does not differ. In reference to the modified FTE, the Department has the ability, through the Budget Office, to hire individuals outside the budget process, however, they are not listed in the budget as permanent FTE."

{Tape: 7; Side: A; Approx. Time Counter: 0 - 29.6}

In response to discussion by **REPS. BUZZAS, RIPLEY, KASTEN, SINRUD MUSGROVE** and **HEDGES, Director Hagener** said this was done in a manner that gave the Department some flexibility to seek out priorities. Actually, none of the FTE that were removed are in the block grant program.

Department of Environmental Quality

REP. PATTISON said some of the budget highlights are:

\$5.5 million state special revenue for mine reclamation and was funded with funding derived from the sale of reclamation bonds.

In addition to present law adjustments, the legislature approved new proposals that resulted in a decrease of \$346,225 in FY 2004 and \$593,424 in FY 2005 across all fund types.

Pay increases associated with a move to Pay Plan 20 costs \$2.5 million over the biennium, funded with a series of permanent reductions in both operations and personal services.

The total approved budget is \$2.2 million more over the biennium than the executive proposal. The FTE identified here were vacant positions. Many increased workloads will be distributed among existing staff.

Jan Sensibaugh, Director, Department of Environmental Quality, thanked the budget subcommittee as they worked with the department to identify their top priority programs and to fund those. They worked with the subcommittee to do some decreases that will not impact their core functions. The decreases they took will impact their ability to do some of the non-mandated functions such as pollution prevention and energy research.

In response to questions from **REPS. HEDGES** and **LINDEEN, Ms. Sensibaugh** said, in response to the subcommittee's concerns, the Department eliminated some FTE permanently to make those alternative pay plan cuts so some of their reductions are associated with the internal reductions.

{Tape: 7; Side: B; Approx. Time Counter: 0 - 29.5}

In answering a question from **REP. BUZZAS**, **REP. PATTISON** said the subcommittee and the Department worked together to come up with the idea to co-op with universities so that college students can work at the research stations.

REPS. RIPLEY, KAUFMANN and **KASTEN** asked the Director for additional data for study and she will furnish the figures.

Department of Livestock

REP. PATTISON referred to Page C-55 of the Narrative. The major budget highlights are:

All General Fund support is removed from Centralized Services Division.

Accepted a proposal for the department to raise fees charged by the diagnostic laboratory to accommodate reduced General Fund within the division and make the laboratory more self-supporting.

The approved budget continues the department's participation in the state-federal cooperative agreement for

Brucellosis Management and the Greater Yellowstone Interagency Brucellosis Committee.

The legislative budget increases General Fund and federal special revenue in the Meat and Poultry Inspection Program to add one FTE meat inspector.

Marc Bridges, Director, Department of Livestock, thanked the subcommittee for good hearings and will be available for questions.

In response to questions from **REPS. HEDGES, FRANKLIN and BUZZAS, REP. PATTISON** said the department tried to reduce General Fund expenditures by taking \$9,856, General Fund, and put it in state special. Pages C-59, C60 and C-61 for reference.

Department of Natural Resources and Conservation

REP. PATTISON said total funding for the Department is \$300,000 above the executive budget. The subcommittee approved the General Fund budget that is \$1.3 million less than the executive budget over the biennium through a number of funding switches and decisions not to accept executive proposals, and through agency proposed options. The subcommittee did not approve executive proposals for an inmate fire crew, various operating adjustments, and a reinstatement of FTE removed through 2001 legislative action. They also accepted agency proposals to eliminate an attorney, a resource specialist, and an administrative support position, resulting in an FTE level that is three FTE below the executive proposal. These were vacant positions and any additional workload that might arise will be spread among existing staff.

The subcommittee approved a \$60,000 appropriation for water monitoring work by the Sheridan County Conservation District and eliminated funding for two programs within the department.

In an effort to reduce General Fund expenditures, they increased state special revenue by \$800,000 through a series of funding switches and added \$700,000 state special revenue authority for North Central, Dry Prairie, and Dry Red Water regional water systems. Pages C-72 and C-73 of the Narrative for reference.

CHAIRMAN LEWIS said the budget the committee has before it assumes that HB 177 does not pass. If it passed then they would have a series of negative adjustments to make to this budget.

Bud Clinch, Director, Montana Department of Natural Resources, said his department and the subcommittee came to some good decisions.

REP. LINDEEN asked for more specifics on what was cut. **Mr. Clinch** said there were 12.15 FTE and in addition to those there was operating expenditures in all of the divisions. Prior to the start of the session, to identify their target, they allocated General Fund reductions across the various divisions based on their percentages of General Fund and then reviewed that to make those determinations. In some instances they have eliminated a couple of programs; the Water Rights Purification Program and the reduction in the assistance on the County Co-op Fire Program in some western Montana counties. That is a program where the least amount of private land is not covered by a fire district.

{Tape: 8; Side: A; Approx. Time Counter: 0 - 29.4}

Pages C-66 through C-90 of the Narrative for reference.

Gary Hamel said, "To clarify, some of the increase over the executive budget did come from some funding switches in Water Rights Purification, funding switch in Water Rights and Water Resources. The Coal Severance Tax shared account reduction was not approved by the subcommittee so there was about \$300,000 that was added back each year of the biennium for that purpose. In addition there was some funding for the Dry Prairie regional water system."

REPS. HEDGES, KAUFMANN, LINDEEN, to **REP. PATTISON** and **Director Clinch** concerning the responsibility for fire fighting, funding resources and the possibility of a study bill.

In response to a discussion between **REP. JAYNE** and **Director Clinch, Mr. Hamel** said approximately \$195,000 of that use for Contracted Services for water study is split in very small amounts for supplies, materials, communications, travel and some other expenses.

Department of Agriculture

REP. PATTISON said the legislative budget is approximately \$414,000 higher than the executive proposal and General Fund is reduced by \$94,493 over the biennium. Major changes from the Executive Budget include:

All General Fund is removed from the Apiary program (\$38,177 over the biennium) and replaced with state special

revenue to implement HB 62 (signed by the Governor) and make the Apiary program self-supporting.

General Fund is replaced with pesticide management state special revenue with the Pesticide Management program (\$22,960 over the biennium).

They did not approve the executive proposal to reduce Growth Through Agriculture funding from the coal severance tax shared state special revenue account (\$511,630 state special revenue increase over the biennium). Most of the funding in that program is state special because fees are assessed for the people who use it.

CHAIRMAN LEWIS said the major difference is the subcommittee funded Growth Through Agriculture and the Governor's budget didn't. **REP. PATTISON** said they funded it if HB 177 did not pass.

Director Ralph Peck, Department of Agriculture, thanked the subcommittee for the work they did on this budget. The department will also receive \$2 million from the Forest Service for weed control. That is a biennial appropriation which will enable them to augment the Weed Control Programs across the state of Montana.

REP. KAUFMANN referenced the Organic Certification Program. **Director Peck** said Montana is one of the first states to have that program approved by the USDA as of July 1. It has changed to a special revenue account so is self-supporting and there is 1.5 FTE increase. The state special revenue account is paid for by fees (registration and inspection) from the growers.

Department of Commerce

REP. PATTISON said the legislative budget is \$1.2 million lower than the executive proposal, with a General Fund reduction of \$1.1 million over the biennium. Major changes include:

Eliminate funding for the Community Technical Assistance Program (CTAP) and five FTE within the Community Development Division (reduction of \$542,000 General Fund, \$122,000 state special revenue, and \$19,000 federal funds over the biennium).

Eliminate funding for Kumamoto Trade Office with the Trade and International Relations Bureau (reduction of \$140,000 General Fund over the biennium).

Reduced General Fund within the Business Resources Division to adjust for \$200,000 in base-year expenditures erroneously carried into the 2005 biennium (reduction of \$400,000 General Fund over the biennium).

Adjusted Coal Board Local Impact Grant funding to the level proposed in HB 177, approximately 50% of FY 2002 levels (increase of \$72,000 in FY 2004).

Some of the major highlights are:

The Research and Commercialization program is funded at the executive level.

The legislative budget funds Coal Board grants from the Coal Severance Tax Shared State Special Revenue Account at approximately 50% of the FY 2002 levels.

{Tape: 8; Side: B; Approx. Time Counter: 0 - 29.4}

Mark Simonich, Director, Department of Commerce, thanked the sub committee for working with the Department on this budget. **Mr. Simonich** reviewed the eliminated programs as listed above. He is available for questions.

Pages C-101 and C-102 of the Narrative for reference.

REP. WITT referred to Page C-108 of the Narrative, DP 9002 - FTE reduction. He asked who funds the 1.25 FTE from the Hard Rock Mining program. **Mr. Simonich** said the Hard Rock funding is part of Metalliferous Mines Tax, state special revenue account. It is not General Fund. **Senator John Esp, SD 13, Big Timber** said those positions are funded with Metalliferous Mines Tax and it is part of the portion that used to go to the counties and be distributed. The excess in that fund is used to fund the Hard Rock Mining Impact Board.

REP. PATTISON said one of the positions was vacant and never filled. The other they identified was over six months' vacant. These two are vacant positions. **Mr. Simonich** said they have had a full time staff person staffing the Hard Rock Mining Impact Board. That person retired this past summer and they have not refilled the position. It is the department's belief they can continue to provide the staffing level for the Board with other existing staff within the division. Part of that will be the division administrator working directly with the Board as well as the administrative support person. That administrator currently staffs the Coal Board so it is something they are used to doing.

There is up to \$100,000 that is kept in the account to be used for emergencies or for projects. Anything beyond that, rolls to the counties.

REP. LINDEEN asked if there has been any instances where any of the grant funds were not used and reverted back to the General Fund. **Newell Anderson, Administrator, Community Development Division, Department of Commerce**, said "In the last ten years there has been every year, reversions to the General Fund by grant funds that haven't been used, either consciously or projects that didn't quite consume all of the money, but not great amounts."

In response to a question from **REP. BUZZAS, Mr. Simonich** said the Research and Commercialization Grant Program is funded through a statutory appropriation that was created about four years ago, a statutory appropriation of \$4.85 million per year for a five year period of time. That is set to run out or sunset at the end of the 2005 biennium. Some reductions were made to that for this existing fiscal year. The executive proposal also included a proposal that is part of HB 177. During the special session, while the funds were cut for this year, part of the action was taken by this legislature, to reduce the \$4.85 million down to \$3.65 million. So the last two years of that statutory appropriation would be \$3.65 million. HB 177, if passed, would eliminate that \$3.65 million entirely. The staff are funded through General Fund in HB 2.

Pages C-102 and C-103 of the Narrative for reference.

{Tape: 9; Side: A; Approx. Time Counter: 0 - 29.3}

Linda Stoll, Montana Association of Counties, (MACo) responded to a question from **REP. KAUFMANN** concerning the loss of the Community Technical Assistance Program and what it means to the planners in the counties. **Ms. Stoll** said the loss will most strongly be felt in the rural communities. The planning assistance that is received by the department is extraordinary. Her Association is opposed to a reduction.

REPS. FRANKLIN, LINDEEN, and JAYNE, asked for more explanation and clarification from **Director Simonich and Andy Poole, Administrator, Business Resources Division, Department of Commerce**, and **Mr. Anderson**.

Motion/Vote: **REP. PATTISON** moved that HB 2 BE AMENDED (Exhibit 9). Motion carried unanimously 19-0 on a voice vote.

EXHIBIT (aph51a09)

Motion/Vote: REP. PATTISON moved that HB 2 BE AMENDED (Exhibit 10). Motion carried unanimously 19-0 on a voice vote.

EXHIBIT (aph51a10)

Motion/Vote: REP. KASTEN moved that HB 2 BE AMENDED, HB000204.agh. Page C-78, DP 51, Coal Bed Methane Water Study. Motion carried 18-1 with REP. JAYNE voting no on a voice vote.

Motion: REP. HAINES moved that HB 2 BE AMENDED (Exhibit 11).

EXHIBIT (aph51a11)

{Tape: 9; Side: B; Approx. Time Counter: 0 - 29.2}

Vote: Motion carried 16-3 with REPS. RIPLEY, SINRUD and WITT voting no on a roll call vote.

Motion/Vote: REP. PATTISON moved that SECTION C BE CLOSED. Motion carried unanimously 19-0 on a voice vote.

CHAIRMAN LEWIS made announcements and the meeting was adjourned.

ADJOURNMENT

Adjournment: 9:30 P.M.

REP. DAVE LEWIS, Chairman

MARY LOU SCHMITZ, Secretary

DL/MS

EXHIBIT (aph51aad)